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SUBJECT: Argentine Mid-Terms: Kirchners Suffer a Major Setback

REF: BUENOS AIRES 0742

¶1. (SBU) Summary: Argentina's ruling party and allies suffered a major setback in the June 28 congressional mid-term elections, winning only about 30% of the vote nationwide and likely losing its majority in both chambers of Congress. In the key race of Buenos Aires province, the ticket headed by multimillionaire Peronist dissident Francisco de Narvaez came in first place with 34.58% of the vote, besting former president Nestor Kirchner's slate with 32.11% of the vote. In the federal capital, De Narvaez's allies -- Mayor Mauricio Macri's PRO party -- won 31.09% of the vote with a ticket headed by Macri's former deputy mayor, Gabriela Michetti. The surprise in the capital was the strong second-place showing by leftist filmmaker Pino Solanas, who nosed out the Civic Coalition's Alfonso Prat-Gay (backed by Elisa Carrio). For Peronists searching for someone to lead their party in the wake of Kirchner's defeat, the Senate race in Santa Fe province was all-important. Media report that Peronist presidential hopeful Carlos Reutemann narrowly defeated Socialist Ruben Giustiniani (backed by the Socialist presidential hopeful, Governor Hermes Binner), but that race may yet be decided in the official count. Vice President Julio Cobos's candidates in Mendoza seem to have won handily over a Kirchner-supported candidate, which keeps Cobos alive in the presidential race for 2011. In the major province of Cordoba, the opposition's Luis Juez prevailed in a fractious field. As a result of the disappointing electoral results, Nestor Kirchner announced June 29 his resignation as president of the Peronist Party (PJ). End summary.

STUNNING SETBACK FOR THE KIRCHNERS

¶2. (SBU) According to the unofficial vote tally provided by the Interior Ministry June 28-29, government-aligned forces won only 30% of votes nationwide. The government appears to have lost control of both legislative chambers. The numbers released so far are from the Interior Ministry's "provisional," or unofficial, vote count. The official vote count will be conducted by the National Electoral tribunal, starting July 1. Because the GOA uses the "D'Hont formula" to allocate congressional seats, it will not have firm tallies for congressional seats until the official count is completed, but it appears that the government lost as many as 22 seats in the Chamber of Deputies and four Senate seats.

¶3. (SBU) Media are projecting that the Kirchners' Victory Front (FpV) will maintain its plurality in both chambers of Congress when it convenes December 10. The media also project that the Radical Party (UCR) will be the largest opposition party in the Senate, and the Social and Civic Accord (an alliance between the Civic Coalition and Radical Parties) will be the largest opposition party in the Chamber of Deputies. The projected breakdown in the Senate is as follows: 36 Senators for the FPV; 17 for the Radical Party; 9 for the Peronist dissidents; and 10 from provincial and other parties. The projected breakdown in the Chamber of Deputies is: 96 Deputies for the FPV; 80 for the Social and Civic Accord; 47 for Union-PRO; 16 aligned with leftist parties; and 19 Deputies from smaller parties.

14. (SBU) It had been clear for some time that the June 28 elections would be a nationwide setback for the Kirchners, but former president Nestor Kirchner had hoped to preserve the first couple's political future by coming in first place in the key race of Buenos Aires province, a long-time Peronist stronghold with 38% of Argentina's votes. Kirchner lost this must-win district. The ticket headed by multimillionaire Peronist dissident Francisco de Narvaez came in first place with 34.58% of the vote, besting Kirchner's slate with 32.11% of the vote.

15. (SBU) Early in the campaign, Kirchner had posited the race as a plebiscite on the government's administration. Although he subsequently dropped that argument, this race largely hinged on voters' feelings about the Kirchners and was therefore viewed as decisive for the Kirchners' political prospects. Kirchner, who won the presidency in 2003 with only 22% of the vote, may have hoped to come close to the 45% of the vote that his wife won in 2005 and 2007, but in the end came in close to the 30% minimum that is considered to be reliably in the pocket of Peronists. The 59-year-old Kirchner had never before lost an election; this was his first, and it can largely be attributed to the sharp drop in approval ratings incurred by the Kirchners' protracted conflict in 2008 with farmers over agricultural export duties. Kirchner and his allies did not win in any of the five biggest electoral battlegrounds, and his party even lost in his home province of Santa Cruz. The conventional wisdom is that Kirchner's erstwhile allies, particularly the Peronist governors and mayors throughout the country, will desert him in droves now that he is no longer invincible. As a result of the disappointing electoral results, Nestor Kirchner announced June 29 his resignation as president of the Peronist Party (PJ).

16. (SBU) Nestor Kirchner gave a concession speech at 2:15 in the

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morning June 29. He was calm, congratulating the winners and insisting that "we've lost by just a little." He said that the results show that concerns about fraud were misplaced. He urged his supporters to accept the results with equanimity, and said he would be "studying the results" over the next few days with his wife, President Cristina Fernandez de Kirchner (CFK), who is reportedly holed up at the presidential residence.

IN THE OTHER MAJOR DISTRICTS:

17. (SBU) In the federal capital, De Narvaez's allies -- Mayor Mauricio Macri's center-right PRO party -- won 31.09% of the vote with a ticket headed by Macri's former deputy mayor, Gabriela Michetti. The surprise in the capital was the strong second-place showing by leftist filmmaker Pino Solanas, who nosed out the Civic Coalition's Alfonso Prat-Gay (backed by Elisa Carrio) to win second-place 24.2% to 19.05%. Kirchner-backed candidate Carlos Heller placed a distant fourth, capturing only 11.6% of the vote. The showing by Marci's slate was inferior to his 45% vote in the 2007 mayoral election, but he was also the only incumbent in Argentina's top five electoral districts to prevail in the June 28 election.

18. (SBU) For Peronists searching for someone to lead their party in the wake of Kirchner's defeat, the Senate race in Santa Fe province was critical. Media report that Peronist presidential hopeful Carlos Reutemann narrowly defeated Socialist Ruben Giustiniani (backed by the Socialist presidential hopeful, Governor Hermes Binner), 42.26% to 40.59%.

19. (SBU) Vice President Julio Cobos's candidates won convincingly in his home province of Mendoza. With 96.7% of votes tallied, the Cobos-backed Civic Front-UCR-CONFE alliance won 48.4% of the vote. The FPV slate came in second, with 27% and the center-right Democratic party (allied with the PRO) came in third with 14.4%. This race was a must-win for Cobos, and keeps Cobos's presidential ambitions alive for 2011.

110. (SBU) In the Senate race for the major province of Cordoba, the opposition's Luis Juez (backed by Carrio) prevailed in a fractious

field, capturing 30.63% of the vote. The Radical party had a strong showing, coming in second in the Senate race, with 26.70%, and first in the race for Deputies with 29.04%. The dissident Peronist slate supported by current Governor Schiaretti, came in third in both the Deputies and Senate race. The Kirchner ticket came in fourth.

COMMENT: WINNERS AND LOSERS

¶11. (SBU) The big winners in this election appear to be several presidential hopefuls for 2011, including: Buenos Aires Mayor Mauricio Macri, whose slate won in the federal capital and whose ally Francisco de Narvaez gets the glory for knocking out Nestor Kirchner; Carlos Reutemann, who showed enough strength in Santa Fe province to keep alive his prospects as the Peronist replacement for Nestor Kirchner; and Vice President Cobos, whose ticket won handily in Mendoza. The big losers in this race were the Kirchners and the governor of Buenos Aires, Daniel Scioli, who ran on Kirchner's ticket and may have, with his loyalty to the Kirchners, irreparably harmed his chances for winning the presidency in 2011; and Elisa Carrio, whose slates ran a distant third in both Buenos Aires city (traditionally a bastion of support) and province.

¶12. (SBU) We expect ramifications from this election to unfold throughout this week and beyond. The first, and very significant one, is Nestor Kirchner's resignation as head of the Peronist Party. Future reports will focus on the possible implications of this election with respect to the bilateral relationship with the United States, economic policy, and Argentina's political landscape.

KELLY